

Message Text

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43

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 /020 W
----- 024570

R 171643Z AUG 76
FM AMEMBASSY PARIS
TO USDA/WASHDC
INFO SECSTATE WASHDC 4011
ALL EC CAPITALS 0157

UNCLAS SECTION 01 OF 02 PARIS 32839

TOFAS 248

FOR FCA DIVISION

E.O. 11652: N/A

SUBJECT: WEEKLY DROUGHT SITUATION REPORT

REF: TOFAS 238 (NOTAL)

1. EXCEPT FOR FAIRLY WELL-DEVELOPED RAIN PATTERNS IN SOUTH AND SOUTHEAST FRANCE, EXTREME DRYNESS CONTINUES WITH EXPECTATIONS FOR MORE OF SAME FOR ENTIRE THIRD WEEK AUGUST. PERSONAL OBSERVATIONS IN BOURGE AREA CENTRAL FRANCE AND LOWER NORMANDY REVEALED SO LITTLE PASTURE THAT MANY CATTLE RECEIVING SUPPLEMENTAL FORAGE FEEDING OF STOCKS NORMALLY RESERVED FOR FALL-WINTER. LITTLE EVIDENCE SEEN OF SUCCESSFUL GROWING OF SECOND CROPS TO REPLACE FORAGE LOST IN DROUGHT.

2. SINCE AUGUST 9 (REFER TO FR-6049), TEN NEW DEPARTMENTS HAVE BEEN DECLARED DISASTER AREAS, BRINGING TOTAL TO 52. MORE THAN 55 PERCENT OF FRANCE, MAINLY IN THE NORTHERN AND WESTERN REGIONS, NOW OFFICIALLY DECLARED DISASTER AREA.

3. DROUGHT EFFECTS ON FARM INCOME: AN AGATT ANALYSIS INDICATES THAT USING 1975 PRICES FOR 1976 AND CURRENT PRICES AND PRODUCTION ESTIMATES OTHER YEARS, TOTAL GROSS FARM PRODUCTION VALUE IN 1976 WOULD BE AROUND 109.3 BIL-
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LION FRANCS COMPARED TO 109.5 IN 1975; 101.9 IN 1974; AND 97.6 IN 1973. HOWEVER, TOTAL GROSS FARM PRODUCTION VALUE FOR ONLY THOSE SECTORS HAVING DECREASES IN PRODUCTION DUE TO DROUGHT EQUALS A LOSS OF AROUND 5.5 BILLION

FF. IT SHOULD BE NOTED THAT SINCE ANNUAL RATE OF INFLATION WAS 13 PERCENT IN 74, 12 PERCENT IN 75, AND ESTIMATED AT 10-11 FOR 76, 1976 WILL MARK THIRD CONSECUTIVE YEAR OF DECLINES IN REAL VALUE OF FARM PRODUCTION. SECTORS SHOWING ABSOLUTE LOSSES IN 76 WILL PRODUCE RIPPLE EFFECTS IN ECONOMY AND CERTAIN INDUSTRIES, SUCH AS FRUIT AND VEGETABLE CANNERS, WILL BE SEVERELY AFFECTED.

4. ALTHOUGH STATE SECRETARY OF AGRICULTURE PIERRE MEHAIGNERIE DECLARED AUGUST 5 THAT SPECIFIC MEASURES TO ASSIST FARMERS WOULD NOT BE PUBLICIZED BEFORE SEPTEMBER 29, PRIME MINISTER CHIRAC DECIDED ON AUGUST 12 (UNDER OPPOSITION PARTY PRESSURE), TO GRANT SOME "EMERGENCY FINANCIAL ASSISTANCE" TO FARMERS MOST SEVERELY AFFECTED BY DROUGHT.

FUNDS WILL BE PROVIDED BY: (A) INCREASING FROM 50 MILLION FF TO ONE HUNDRED MILLION FF THE AMOUNT ALLOCATED TO THE "NATIONAL FUND OF GUARANTEE" (REFER TOFAS 238 AND FR-6049); (B) SUBSTANTIALLY INCREASING EMERGENCY LOANS GRANTED BY NATIONAL AGRICULTURAL BANK ("CREDIT AGRICOLE") TO PRODUCERS ADVERSELY AFFECTED BY DROUGHT. IT HAD INITIALLY BEEN DECIDED IN JUNE, AT "ANNUAL AGRICULTURAL CONFERENCE" TO ALLOCATE ONE BILLION FF FOR THIS

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ACTION EUR-12

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R 171643Z AUG 76
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ALL EC CAPITALS 0158

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PURPOSE.

WE UNDERSTAND NO DECISION HAS YET BEEN TAKEN CONCERNING FINANCING THESE EXPENSES, BUT SINCE FURTHER INCREASE IN AGRICULTURAL BUDGET DEFICIT WOULD NOT BE POLITICALLY ACCEPTABLE TO THE NATIONAL ASSEMBLY, SPECIAL "TEMPORARY" TAXES MAY BE EXPECTED AS PART OF GOF'S RECOMMENDATION OF "NATIONAL SOLIDARITY".

CONCERNING TYPES OF FARMERS' COMPENSATION, CHIRAC REFERRED SPECIFICALLY TO DIRECT FINANCIAL ASSISTANCE

(PREMIUMS), TO LOW LOAN RATES, AND, DESPITE THE FINANCE MINISTER'S RELUCTANCE, TO POSTPONEMENT OF LOAN PAYMENTS.

5. WITH CONTINUATION OF DROUGHT, WE SEE INCREASING EVIDENCE OF LIKELIHOOD OF CLASSIC CATTLE CYCLE. IN 1976, HIGH RATES OF CATTLE SLAUGHTER REPORTED IN MAY-JULY ARE LIKELY TO BE FOLLOWED BY CONTINUED VERY HEAVY SLAUGHTER FOR REMAINDER OF YEAR. THIS LIKELY WILL LEAD TO CONSEQUENT DECREASE IN SLAUGHTER IN 1977 AND LOWER PRODUCTION AND HIGHER BEEF PRICES AS FRENCH CATTLEMEN ENDEAVOR TO REBUILD HERDS AND MAINTAIN MILK PRODUCTION.

6. LOW PRODUCTION OF POTATOES AND OTHER VEGETABLES HAS ADVERSELY AFFECTED FRENCH CANNING INDUSTRY. HEAVIEST IMPACT ON GREEN BEANS AND PEAS. FORMER DOWN BY 30 TO 50 UNCLASSIFIED

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PERCENT COMPARED TO LAST YEAR'S LEVEL OF 205,000 METRIC TONS. COMMERCIAL PRODUCTION IS SEVERELY AFFECTED IN BRITTANY. PEA PRODUCTION IS 150,000 TONS INSTEAD OF INITIALLY FORECAST 235,000 TONS. DESPITE HIGH CARRYOVER (140,000 MT) RESULTING FROM OVER-PRODUCTION (300,000 TONS) DURING 1975 CAMPAIGN, SUPPLY NOT ADEQUATE. POTATO PROCESSING INDUSTRY IN SIMILAR SITUATION, BUT AS PRICES ARE FIXED YEARLY BY CONTRACTS, PRODUCERS CAUGHT IN SQUEEZE AND UNABLE COVER COSTS.

7. OILSEEDS, RAPESEED AND SUNFLOWERSEED PRODUCTION REPORTEDLY WILL BE NORMAL. GRAIN AND OTHER CROP PRODUCTION ESTIMATES UNCHANGED FROM REFTEL.

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